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SPORTING GOODS MARKET IN CHINA: AN ANALYSIS ABOUT ITS CURRENT SITUATION, EXISTING PROBLEMS AND FUTURE DEVELOPMENT

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TIIVISTELMÄ

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Kiinan hallitus on korostanut urheiluaktiviteettien merkitystä viime vuosina, mikä on edesauttanut urheiluvälinemarkkinoiden nopeaa kehitystä ja minkä vuoksi niitä pidetään nousevana markkina-alueena. Yhä useammat monikansalliset urheiluvälinekauppiaat ovat tulleet Kiinan markkinoille, mikä on yleisesti kehittänyt urheiluvälinemarkkinoita, mutta samalla on myös uhka paikallisille yrityksille. Täten Kiinan urheiluvälineiden jälleenmyyjien on omaksuttava viimeisimmät johtamiskonseptit kehittyäkseen ja muokatakseen itsensä selviytymään näillä kilpailuilla markkinoilla.

Tämän lopputyön päätavoitteena on analysoida nykyistä tilannetta Kiinan urheiluvälinemarkkinoilla, löytää ratkaisuja olemassa oleviin ongelmiin ja antaa ehdotuksia markkinoiden tulevaan kehitykseen.

Koska urheiluvälinekauppa on yksi vähittäiskauppamarkkinoiden haara, teoreettinen osuus esittelee vähittäiskauppamarkkinat, sisältäen niiden määritelmän ja historian kansainvälisestä ja kiinalaisesta näkökulmasta. Tämän jälkeen määritellään urheiluvälinemarkkinat ja tietyt urheiluvälinemarkkinoiden käsitteitä. Lopuksi esitellään urheiluvälinemarkkinoihin liittyvät avaintekijät sisältäen tuotemerkin, tuotannon, logistiikan, myynnin, kuluttajakäyttäytymisen, ja toiminnan tehokkuuden.

Empiirisessä tutkimuksessa on käytetty sekä haastatteluja että kyselylomakkeita. Caseyrityksenä käytetään Decathlonia, josta pyritään löytämään sen etuja eri näkökulmista. Lisäksi kysytään kuluttajien mielipiteitä Kiinan urheiluvälinemarkkinoista. Tutkimuksen tulokset osoittavat, että nykyinen tilanne Kiinan urheiluvälinemarkkinoilla on lupaava, mutta hyvin kilpailullinen, sekä täynnä mahdollisuuksia ja haasteita. Paikalliset kiinalaiset tuotemerkit ovat vielä monin tavoin kaukana ulkomaisista tuotemerkeistä, haasteina ovat esimerkiksi tuotemerkin edistäminen, paikannus, logistiikka, markkinoinnin työkalut ja johtamismallit. Ehdotuksia näihin näkökulmiin tullaan esittämään johtopäätöksissä.

ABSTRACT

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With sports activities emphasized by the Chinese government in the recent years, the sporting goods market has developed rapidly and has been regarded as an up-rising market in China. More and more multinational sporting goods enterprises have entered into Chinese market, which improved the overall of this market, but also poses a threat to the local enterprises. Therefore, China's sporting goods retailers have to adopt advanced management concepts to improve and adjust them to survive in such a competitive market.

The main objective of this thesis is to analyze the current situation of the Chinese sporting goods market, and find its existing problems, as well as give the suggestions for its future development.

Since the sporting goods market is one of the branches of retail market, the theoretical part would first introduce concepts of the retail market, which including its definition and history both in international and Chinese aspects. Then the definition about the sporting good market and some advanced concepts in modern sporting market would be presented. After that, the key factors related to sporting goods market would be explained, including the brand, production, logistic, selling, customers' behavior, and operational efficiency.

For the empirical part, interviews and a questionnaire are both used to conduct the research. Decathlon is used as the case company to find its advantages in different aspects. In addition, customers' opinions about China's sporting goods market are questioned. The result of the research shows that the current situation in the Chinese sporting market is promising but competitive, full of opportunities and challenges. China's local brands still have an immense distance with foreign brands in many aspects, such as brand promotion, positioning, logistic, marketing tools, and management models. Accordingly, suggestions concerning those aspects are presented at the end of the thesis.

Key words China, Sporting goods market, Decathlon

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1 INTRODUCTION

This study focuses on Chinese sporting goods market. In this chapter, the background of the research will be introduced, which includes the situation of the international sporting goods market and current overall view of the Chinese sporting goods market. Then the research problem and objective of this study will be described. After that, the limitations of the study will be listed. Finally, the outline of the thesis as well as the overall framework of the study will be presented.

1.1 Background of the Research

After joining the WTO, the Chinese government has abolished the restrictions in the retail market, which has accelerated the development of the Chinese retail industry dramatically. It also has driven the development of sporting goods retail market. Especially after Beijing Olympics in 2008, the sporting goods market was boosted significantly. According to data from 2008, the sporting goods average annual growth rate reached 8%, and in 2015, the rate was 10% (China data 2014). What's more, one of the important events happened in 2012 when the Chinese government issued many policies to stimulate the development of sporting goods industry and encourage people to participate in sports activities. So in China, sports goods market has become an important and popular thing in daily life. Until 2014, Chinese residents' expenditure on sporting goods has occupied 8% of the total expenditure, ranking sixth of all the consumption categories (China daily 2014). So, it is quite obvious to claim that the sporting goods market in China is promising and full of potential.

Just because the vast potential of the Chinese sporting goods market, many multinational enterprises have also entered into the Chinese market. This has improved the overall level of China's sporting goods market, but also forced China's domestic companies to find a new path to survive in such a fierce competition. So it is important and necessary to analyze the situation of the Chinese sporting goods market and find out its existing challenges as well as the direction of future development.

1.2 Current Overall Chinese Sporting Market

In recent years, China sporting goods market has been growing rapidly, and many opportunities can be expected, but many problems still exist.

1.2.1 Market Potential

After 2008, the sporting goods industry has increased drastically in China, the output value of sporting goods industry in China has reached 49.3 billion yuan a years, and Chinese sports goods production has occupied a considerable share of the international market. In fact, the rising rate of the sales in sporting goods market has been keeping surpass 20% since 2009.

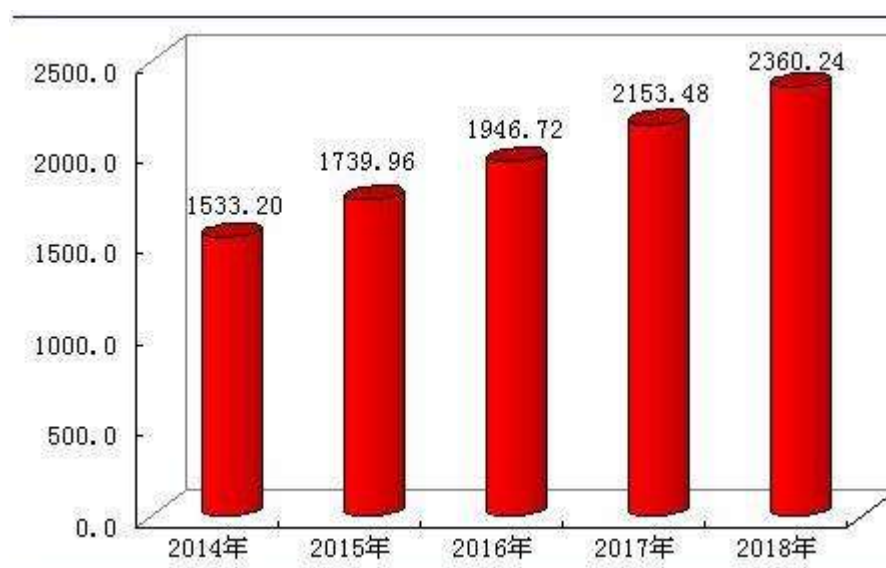


Figure 1. China sporting goods sales 2014-2018 (China Research 2014).

As shown in Figure 1, from 2014 to 2018, the amount of the sales had increased more than 2 times within 4 years, and the sale in 2014 has reached to 153 billion. If based on this trend, the expected sales of sporting goods market will reach to more than 230 billion in 2018, which means a giant potential in the Chinese sporting goods market. (China Research 2014)

1.2.2 Low Market Share of Local Brands

With China becoming more international, a large number of sporting goods enterprises have expanded to the Chinese market, including Nike, Adidas and Puma, and those brands have occupied a large portion marketing share. As Figure 2 shows, Nike and Adidas made up 34% market share in 2009, which comprised more than one third of the whole market. On the other side, the total market share of Chinese famous local brands only took up a share of 29%, it was much less than the share of importing brands.

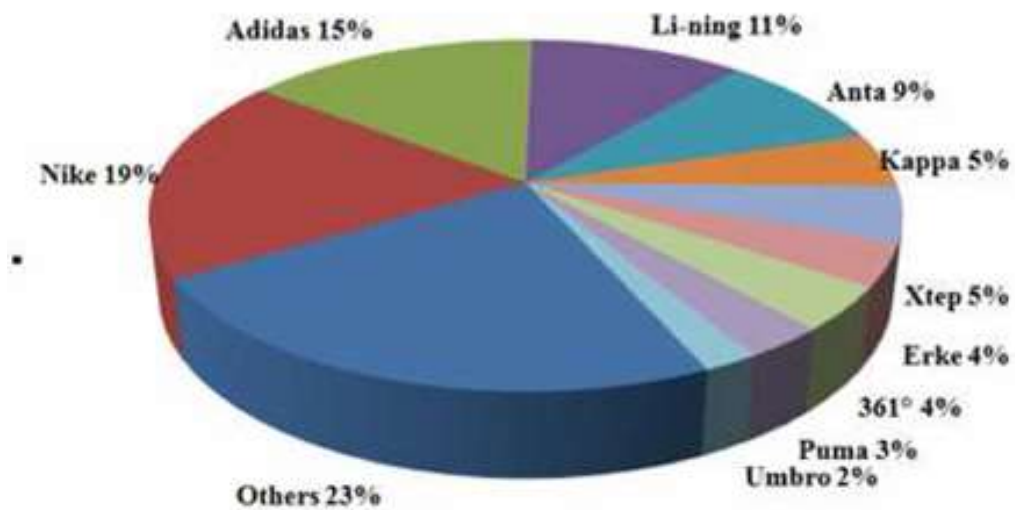


Figure 2. China's sporting goods market shares in 2009 (China Research 2009).

Those data suggest that even if the sale of sporting goods in China is significant, but Chinese local enterprises are lacking the control power in this industry.

1.3 Research Problems and Objective

Chinese sporting market has stepped into a relative mature stage, but many problems and disadvantages are still existing. The aim of this thesis is to analyze the case company Decathlon to find out its competitive advantages and key factors to success. Also customer's purchasing behaviors and their opinions on sporting goods market will be also researched and stated. Then based on these research results to explore disadvantages and existing problems in the Chinese sporting

goods market and explored feasible suggestions to solve those problems to get a better future development.

Therefore, there are some questions which need to be figured out in order to achieve the thesis objectives.

- What is the current situation of the sporting goods market in China?
- What are the problems existing in the Chinese sporting goods market?
- What are the suggestions to solve those existing problems?

1.4 The Limitation of the Study

There are two main limitations in this study. Firstly, although the research discusses the entire sporting goods industry of China, but in terms of the limitation of time, money, and resources, only one case company was researched, so the sample of the survey is too small to have a comprehensive representation.

Besides, the topic of the thesis is about whole sporting goods market in China, but the case company, Decathlon, is mainly targeting on low-price market, which having its special characteristics, so its situation and experience is hard suitable for the whole market.

1.5 Outline of the Thesis

The thesis is divided into 5 chapters. Chapter 1 is mainly about the introduction of the thesis, including the background of the study, the current overall image of the Chinese sporting goods market, the research problems and objectives; thesis limitations and outline.

Chapter 2 is the theoretical part of this thesis. The concept about the retail market will be listed there, including the definition of retail market and its developing history. Then it's about the concepts of sporting goods market and some advanced concepts adopted in modern sporting goods industry. Finally, some key factors related to sporting goods market will be explained.

Chapter 3 discusses the research methodologies. The definitions of qualitative and quantitative research approaches will be introduced. Then the methods of data collection and the situation of this study will be stated; finally, the reliability and liability of this thesis will be commented.

In chapter 4 the result of the interview and the questionnaire will be summarized and analyzed. Then existing problems and suggestions about China's sporting goods market would be given in chapter 5.

Finally, chapter 6 will present a general conclusion about this thesis.

2 THEORETICAL FRAMEWORK

Since the sporting goods retail market is a subsidiary market of the retail industry, it has the same basic features of retail industry and the development of the sporting goods market is deeply affected by the retail market. Therefore, it is necessary to explore the concepts and the features of the retail market in order to gain a comprehensive and in-depth understanding about sporting goods market.

2.1.1 The Definition of the Retail Industry

The retail industry refers to the industry which mainly provides the necessary goods and services to the final consumers (including individuals and social groups) (Yu 2014, 24). The retail industry is one of the most important sections in a country, of which every revolution and improvement would improve people's living standard and leading to a new life style (Wang 2015, 13-18). The retail industry is the barometer of the economy of a country or a district. It can reflect the development of the economy and the structure of the society, and it is an important tool for reducing the unemployment, as it is the second largest employment area, the first being agriculture (Lu 2001, 45).

2.1.2 The History of Retail Industry Development

From an international perspective, the retail industry has experienced four time revolutions.

The first stage was the birth of the department stores. The appearing of the department stores was the first modern commercial revolution (Whitney 2010, 24). This revolution was a fundamental change in operations, which divided the commodities into sectors by groups and features, customers could enter into store freely, and the space of the store was much larger than that of a traditional grocery (Lu 2001, 52).

The second revolution was the birth of the supermarket. The birth of the supermarket was created by the economic crisis and leap of technology (Zhang 2004). The strike of the economic crisis and World War II made the appearing of low-

price market become necessary. On the other hand, the remote suburb location and self-shopping made the low-price become possible. Moreover, the extensive using of the car and mechanized operation were the feasibility of the supermarket. In this period, productivity increased dramatically, it also led to the development of the logistics and packaging (Wolf 2006, 33). All those factors stimulated the appearing of the supermarket.

The third revolution was the rise of the chain stores. After this revolution, the model of modern retail industry was near completed. Advanced concepts, such as standardized management, specialization and the centralized organization have all expanded in international scale (Wolf 2006, 46). During this stage, a large number of multinational retailers have grown quickly, for example Walmart and Carrefour, whose chain stores has appeared all around the world. In fact, this revolution also partially contributed to the rapid growth of shipping, including containers and refrigerator cars. Containerization has dramatically reduced the labor-intensive handing of general cargo and provided a means for the ultimate interchange of freight among ships, trucks and trains (Helmick 1998). So the use of the containers, has made the long-distance mass deliveries become easy and commercial, promoting the expanding of the multinational chain stores.

The last revolution was that the information technology accelerated the development of retail industry. Today, every customer is a digital customer, with rapidly rising expectations about the quality and ubiquity of a seamless shopping experience across their digital about in-store activities. They are becoming increasingly savvy at taking more control of their shopping experiences. (Richards, 2000) With the development of information technology, combining the information advances with the retail industry is inevitable. At the same time, technologies conduct new forms of data and analytics, which can drive better operations and raise the level of understanding of customers' behaviors (Richards 2000).

2.1.3 The History of Chinese Retail Industry Development

Three phases has been identified in the Chinese retailing history. Phase I was between 1981 and 1990, when the state-owned retailers were dominating the whole

sector. Phase II was between 1991 and 2000, characterized by diversification in ownership structure and retail format. Phase III was between 2001 and until now, driven to a large extent by the momentum for globalization (Gao and Wang 2008, 189-192). The development of the Chinese retail industry started much later than the western countries, which almost began at 1980s, nearly 50 years behind international level. It is apparent that the retail industry developed in China was different from western countries, where the development was stimulated by the economy and society, being a proactive improvement, while the change in China partially was guided by the government or some outside factors forced it to change to adopt to the international competition, which was a passive change, and it maybe not kept the pace with the development of economy and society (Wang, 2015, 13-18). So it is easy to find that the Chinese retail industry used 30 years to pursuit the international pace, and it has gotten a huge achievement, but there still exist many problems and disadvantage in terms of the internal and external aspects.

2.2 Concept of Sporting Goods Retail Market

The sporting goods retail industry is one of the branches in the retail industry, which mainly provides the sporting goods, like equipment, clothing, and shoes to the final customers (including individuals and groups). However, the sporting goods market has become very mature in the international market, but it just has developed in China in last recent years, so China is behind the international level in terms of the management concepts.

In the recent years, the sporting goods market has been developing fast, and transferred from the labor-intensive industry to technology-intensive and capital-intensive industry (Rosandich 20012). For example, with the coming of the information age, e-commerce also has become one of the new growth points for the sporting goods market. Ubiquitous consumers, who want to move easily across channels, have many retail and product options at their fingertips, and demand full visibility into inventory and pricing. The steady growth of online sales is breathing new life into physical stores. (Hong & Li 2015, 1-9)

2.3 Advanced Business Concepts of Sporting Goods Market

Many advanced business concepts has been extensively adopted by many international sporting goods enterprises to enhance themselves to stand out in the fierce competition. The advanced business concepts can help enterprises highlight the brand, improve the operational efficiency, and have a clear business goal, etc.

2.3.1 Innovation Driven Companies upgrading

Innovation can help company discover what opportunities exist now, or are likely to emerge in future. Successful businesses not only respond to their current customers or organizational needs, but often anticipate future trends and develop ideas, products or services that allows them to meet this future demand rapidly and effectively (Greenhalgh 2006, 189-192). Now, companies are increasingly aware of that high-added value is the foundation of brands. U.S. can be regard as a representative in innovation. Considering the development of sporting goods market in U.S, innovation was the key element for its success, driving the industry from labor-intensive transfer to capital and technology-intensive. Nike is one of the most successful brands in the sporting field. Within the past 40 years, Nike was relied on continuous products development and strong marketing capabilities has become the leading brand worldwide, leading the innovation trend and the consumer demand in long-term scale. Nike's company slogan goes: *"Innovation is core to Nike, and is essential to sustainability. For us, the two are linked. They feed each other, leading to new discovery, better products and superior performance."*

2.3.2 Developing Sustainable Business

McCorry (2012) mentioned "Five top benefits for becoming a sustainable business", which can be stated following "1. Enhance brands and increased competitive advantage. 2. Increase productivity and reduce costs. 3. Improve financial investment opportunity. 4. Minimize carbon risk and improve energy efficiency. 5. Increase employee retention and recruitment." (McCorry 2012). Take Japanese companies into consideration, like Mizuno and Asics, which have obtained a suc-

successful development under a high-pressure competition from overseas strong brands. Throughout the development history of those two companies, although they are different in terms of products lines, both are concentrating on the product quality and professional research for a long-term scale to achieve a sustainable development.

2.3.3 Focus on Characteristics

Self characteristics can create a unique image in market, which can protect companies being imitated by competitors, and provide an opportunity to develop loyal customers and also can help companies to establish a distinctive brand image in market. (Feng 2016) Other aspect, self-characteristic also is benefit for the market segmentation. Therefore, under a fierce competition, highlighting the characteristic to distinguish from other brands is much important than ever. An example like UnderArmour, who mainly focus on the professional and high-tech tight-fitting sportswear, and has become the second largest sports brand in the U.S. Its success is mainly due to the high-class marketing positioning, and displaying professional products as much as possible.

2.4 The Key Factors Related to Sporting Goods Retailing

2.4.1 Brands

The market competition has three levels. The first one is price competition, the second is quality competition, and the third is brand competition. Today's competition has been developed into brand competition (Zhu 2007). Branding is not just a graphic element or a logo. A good brands including develops trust, recognition and continually crafting a positive image (Gao 2014). Brand is one of the most valuable assets for an organization. The image of the brand can help an enterprise to establish their own characteristic, it can distinguish a brand from other brands and improve the reputation and popularity among customers, and it is key to occupy the market share.

The final outcome acts step into enhancing the economic value, all these intangible value will translate equity into profits, such as the pricing power, and distribu-

tion advantage. As for customers, a brand means the guarantee of the quality and service, an outstanding brand can give a higher satisfaction to customers.(Zhu 2007) Overall, having a strong image affects customers' buying behavior directly, and enhances premium brands, as well as delivers the success of the products. (Sakura 2007).

2.4.2 Production

There are two main production modes in the retail industry, one is hypermarkets and discount department stores, like Walmart, whom cooperate with suppliers and work as an intermediate in selling products to final customers. The other one is the brand chain stores like Nike. In the sporting goods market, majority of the retailers are responsible for nearly every aspect of produces line, ranging from the design to selling, so production is also charge by themselves. For any economy, no matter what country or company, the real economic growth comes from the increasing quality and quantity of the process of production (Miao 2010). Specifically, the economics of scale means in a certain range of output, production increases contribute to the decreasing of average cost. (Wang and Cao 2015, 124-128). The reason of economics of scale is because in a certain of output, the fixed cost is considered to stay unchanged, the new products are able to share more fixed costs, which result in an overall cost decline. (Peng 2014, 146) As Figure 3 shows, the relationship between average costs and output is a concave arc, the output from point Q to Q1, resulting in the average cost decreasing from C to C1. One of the biggest advantages stems from the economics of scale is a lower unite allowing a business to earn greater profit. Besides, it also creates a snowball effect, when a company operates economic scale who has a better ability to invest in advanced technology and new equipment. (Keyes 2008, 204). By contract, competitors who with higher unit costs have to invest much to generate such a profit, no matter in terms of capita and time.

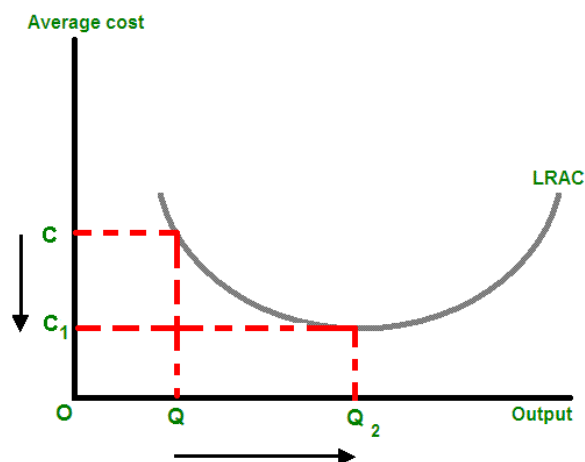


Figure 3. Economics of scale (Wikipedia 2004).

Therefore, a sporting goods retailer, in order to reach the quality and quantity, and realizing the economics of scale is the important and effective path. It is reasonable for Chinese sporting goods company to expand the scales to reach the economics of scales to minimize the unit cost of products and improve the profit.

2.4.3 Logistic

Logistic management can be regarded like the artery for retail industry, since it connected production and selling. The purpose of logistic in retailing is to design and implement infrastructure which will convey produces from one point original to another point effectively and low-cost. It is mixed of the customers' satisfaction and lowest cost possible as asymmetrical (Amaresha 2003, 39-43). The broad meaning of the market logistic including is order process, warehousing, inventory and transportation (Chippetta 2015). In other words, it also can be defined as the process of plans, implementation and controls, in order to ensure the efficient and enhanced flow and storage of goods or service (Chippetta 2015). According to Holcomb (2004), modern logistics now have emphasis on shaping competitiveness and profitability

In the sporting goods market, a complete and efficient logistic system is important for both the store department and the production department. Logistics enable an

organized retailers to move or store products more effectively. Efficient logistics management not only prevents needless movement of goods, vehicles transferring products back and forth; but also frees up storage space for more productive use. (Amaresha 2003, 45-46)

2.4.4 Selling

Selling can be regarded as the last stage in the flow of goods in retailing, which it is also the most crucial part related to the profitability of a retailing company. There are some main factors to consider in terms of selling, including product, price, advertising and promotion. In order to make the selling proceed smoothly, marketing tactics are needed to be formulated. The marketing tactics are various organizational business activities designed by company based on the needs of customers to realize the business goal. Tactics include the product strategy, price strategy, channel strategy and promotion strategy. (Murray 2013)

2.4.5 Customer Behavior

“Successful retailers are those who can understand the changing needs of customers and adapt to their changing buying habits”, according to the management consultancy McKinsey & Company (2013). In many cases, customers might not be aware of their behaviors and motivations, therefore, understanding customer behavior is essential for the success of any organization. (Pilar and Isabel 2012) The customer behavior has a connection with marketing strategy, Rogan (2007) states that “marketing strategies are about the probability and frequency of buyer behavior. Requirement for succeeding in doing this are to know the customer and understand the consumer’s need and wants.” In that way organizations are able to generate products that will be purchased and embraced by customers.

Figure 4 is showing the buyer’s decision process, which is affected by marketing stimuli and many other stimuli in terms of personal and environmental factors, like demographic, personal, cultural, and sociological. Those factors would influence buyer’s decisions including product choice, brand choice, and purchase tim-

ing. Therefore, if the retailer wants to have a better performance on the sales, customer behavior needs to be analyzed and taken full use into the business purpose.

The Buyer Decision Process

Five Stages:

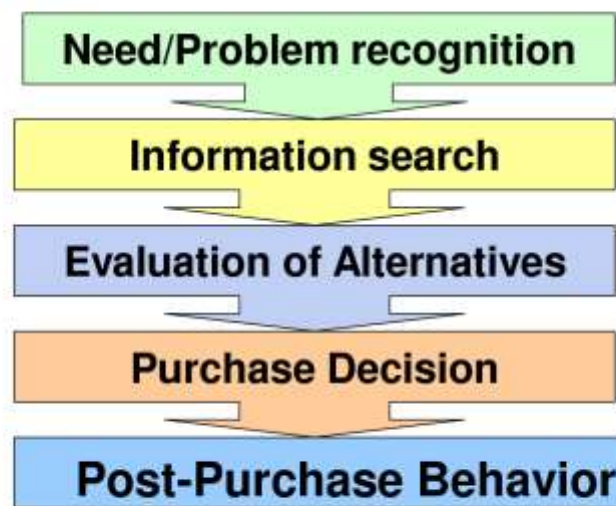


Figure 4. The buyer's decision process (Ezinearticles 2016).

2.4.6 Operational Efficiency

Efficiency is not only about cost savings, but it includes other business objectives, like service quality and employee satisfaction. Operational efficiency is often obtained by streamlining a company's key processes in order to more effectively respond to constantly changeable market forces in a cost-effective manner. (Wikipedia) Many approaches can be utilized to realize operational efficiency, such as lean management.

Lean management is an approach to run an organization based on the concept of continuous improvement. It is one of the best ways to improve operational efficiency. Lean management is a mean to take small and incremental changes in the working process for improving quality in a long-term scale. Specifically, the most

obvious benefits of the lean management are streamlining process, elimination waste, reducing defects, continuous improvement, as stated by Ben Rand (2014).

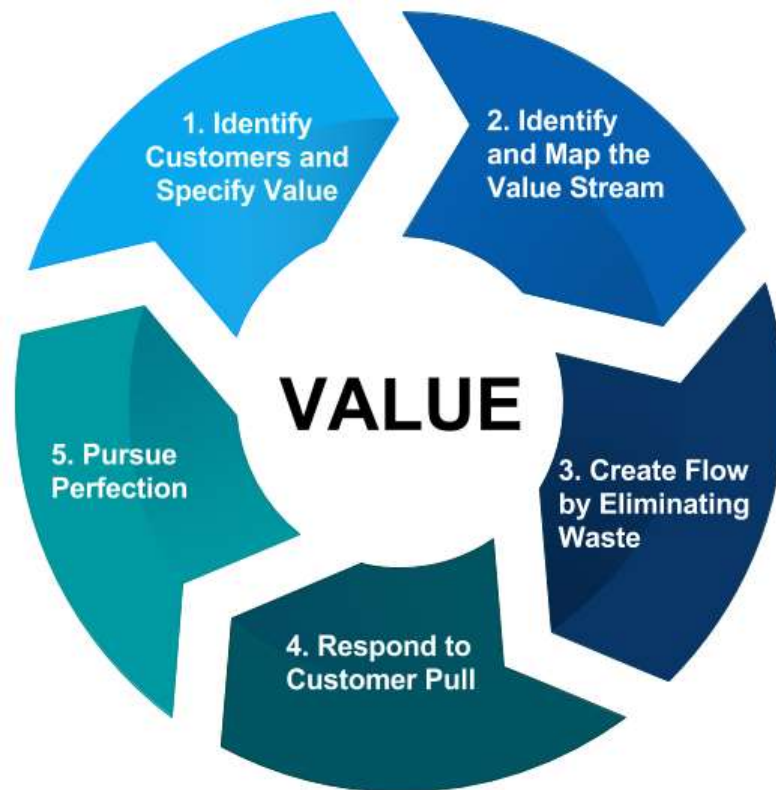


Figure 5. The process of Lean management (Mohanty 2016).

Like seen in Figure 5, it shows the process of the lean management, which begin with identifying customers and specifying value, then identifying and mapping the value stream, after that is creating the flow by eliminating waste, then respond to customers pull and pursue perfection. In addition, there are some critical success factors for implementing lean programs summarized by Netland in 2015: commit to lean program; train the workforce; have a plan and follow it up; allocate resource and share the gains; as well as use lean tools and methods.

3 RESEARCH METHODOLOGY

3.1 Qualitative and Quantitative Approach

Qualitative research and quantitative research are two important approaches to collect data. Each of them has special functions and advantages, using only one of these approaches is less likely to get a comprehensive result, so usually, combining both of them is more likely to reach a more objective and reasonable result. Both methods are complementary and might both be used in a research work. (Hague 2008, 9)

Qualitative research is primarily exploratory research. It is used to gain an understanding of the underlying reasons, opinions and motivations. It provides insight into problems or helps to develop ideas for potential qualitative research. Group interviews and depth interviews are the most common qualitative research methods. The relationship between the researchers and respondents are much more elastic, while respondents can reflect on the delivering of their own opinions in their own time. (Sabel 2012). So qualitative research is used when studying subconscious feelings, complex phenomena and holistic dimensions. During the research we should not only focus on the content said by respondents but also pay attention on the observation, aiming to capture the nature characteristics of respondents that they may not be aware or unable to express in words. On the other hand, there are also negative sides to qualitative research, such as answers are influenced by the knowledge, perspectives, and experience of the interviewers, so it is not so correct and precise. The survey method can also find opinions relating to ideas or issue and often elicit interpretation of the surveyees' actions or opinions. (Blythe 2015, 104)

Quantitative approach is the research methodology that aims at quantifying the data and typically implementing some form of statistical analysis. (Sabel 2012). It is used to quantify attitudes, opinions behaviors, and generalize data from a large sample of population. (Kumar, Aaker and Day 2002, 179). Surveys such as online surveys, telephone interviews, and personal interviews are the most common methods of the quantitative research for collecting data. When using quantitative

research, a structure questionnaire is given to a sample of a population and designed to elicit specific information from respondents.

Table 1. Quantitative and qualitative research (Zikmund 2010).

Quantitative & Qualitative Research		
Differences between Quantitative and Qualitative research strategies		
Research Aspect	Quantitative	Qualitative
Common Purpose	Test Hypotheses or Specific Research Questions	Discover Ideas, used in Exploratory Research with General Research Objects
Approach	Measure and Test	Observe and Interpret
Data Collection Approach	Structured Response Categories Provided	Unstructure, Free-Form
Research Independence	Researcher Uninvolved Observer. Results Are Objective.	Researcher Is Intimately Involved. Results Are Subjective.
Samples	Large Samples to Produce Generalizable Results	Small Samples – Often in Natural Settings
Most Often Used	Descriptive and Causal Research Designs	Exploratory Research Designs

(Zikmund, 2010)

Table 1 summarizes the main differences between qualitative and quantitative research. The results of the quantitative research are more statistic-related and specific, but those are confined to the questions which are less in-depth but more breadth of information across a large number of cases. The results of the qualitative research are unstructured, and adopted to more in-depth information on a few cases. Thereby, combining both of the research methods can make the research result more reliable.

In this thesis, the qualitative research and quantitative research method both are used. The personal interview is adopted to collect the information about the case company and employees' opinions about their working environment. The result of the research is rather comprehensive, because of in-depth questions and being able

to control the interview process. In addition, the questionnaire was used to collect customers' opinions about the sporting goods market. Since the population is too big, it would be impossible to give contact with all of them, so the quantitative research method was the ideal option. The results of the questionnaire were rather limited, because of the limitation of the sample, money and time.

3.2 Data Collection

Different researchers contribute to various categories of data and it can be classified into two main basic categories, primary data and secondary data. Primary data is collected by researchers themselves originally by using surveys, interviews and direct observation. The data can be managed by the researchers during the research process which is the biggest merit of the primary data. (Ghauri and Groung 2005, 91) Secondary data is collected by other researcher for different purpose. Data is found and cited from others research's result.

In this research, the online questionnaire and personal interview were used to collect primary data to analyze the objective listed at the beginning of this thesis. Based on the thesis objectives, the depth interviews are used to collect the detailed information about the foreign advanced company in all-around aspects to find its advantages and to find if the same advantages which can be used in the Chinese sporting goods market. The questionnaire is used for the purpose of collecting customer opinions about the Chinese sporting goods market.

3.3 Reliability and Validity

The research has a high value of reliability when the study and research can be repeated with similar results and the research is done objectively. (Oliver 2000, 53). It is significant to know the possible sources of errors in order to improve the reliability, like the poor sources of errors, wrong target group, badly conducted sampling, poor questionnaire or interviews, poor analyzing skills, and the information is used for other purposes than intended. All those factors are reasons to non-reliability.

In general, validity concerns on the degree to which a finding is accurate or truthful. It can be divided into internal validity and external validity, and the internal validity is mainly depended on interviewers. Internal validity can be affected by problem statement, selection, instrumentation, testing, and maturation. Validity is influenced mainly by the form of research questions and alternatives that chose to the question and the question positioning in the survey. (Rope & Pollanen) Validity of the research can be enhanced in the following way: using a large number of references to define the problems firstly, and then designing the questions on the basis of the reasonable literature concepts such as the consumer behavior and thinking inertia. Finally, before the questionnaire or interviews, the questions should be checked and pre-prottested several times.

As for this research, in terms of the limitations of time, resources and money, the reliability should be enhanced more, since the samples size in questionnaires is 264 respondents. But the liability of this research is strong, since the design of the questions was based on the theoretical analysis, and the questionnaire was checked and revised several times.

4 EMPIRICAL FRAMEWORK

Both the result of interview and questionnaire will be presented and analyzed in this chapter, including two main parts. The first part is about interview result, a general introduction of the case company and the interview result referring to four detailed parts about the company will be stated. Another part is the result of questionnaire in terms of customer opinions both on international and domestic brands their buying preference and purchasing channels and etc.

4.1 Introduction of Decathlon

Decathlon is one of the largest sporting goods retailers with the slogan “innovation lovers, for the happiness of people”. It was founded in 1976 by Michel Leclercq from France. It started to expand abroad later, and until now it have more than 1000 stores in 25 countries, and employs more than 80000 staff from 80 different nationalities. Decathlon stocks a wide range of sporting goods, and it has over 20 branches. Each branch represents a different sport or group of sports, including hiking, running, swimming, team sports, rocket sports, and so on.

History in China: The first Decathlon store opened in Shanghai in 2003, and it established an online store in 2010. Until 2015, Decathlon has opened 168 stores in China. Their future objective in China is that there will more than 999 stores in greater China.

4.2 Result of the Interview

To make the study more reliable and the information more comprehensive, the author visited a number of Decathlon stores in Chongqing China, and even worked as a sale assistant in Yuanjiagang Decathlon store for 10 days. During the 10 days, the author interviewed 6 staffs in this store. One of them is the store manager, one operational manager, two department managers, and two sales assistants. Decathlon has a completed industrial chain, so in order to make the interview questions as comprehensive as possible, the question were divided into four

parts, naming brand, design and product, logistic, and human resource management.

4.2.1 Brands

Decathlon has more than 20 brands, each brand represents one sport or a group of sports. Since this part is more about the brand organization of Decathlon, store manager was chosen to be interviewed. During the interview, three main questions about the brand were asked: 1. how does Decathlon improve its popularity and reputation? 2. How does Decathlon manage so many independent brands organizationally? During the interview, the store manager mentioned the power of image for four times. Understanding and taking full use of the competitive advantage is another thing the store manager emphasized continuous, mentioning it three times. The answers of the store manager are summarized and presented next.

The mass market is the target market of Decathlon, so its prices are relative low. In order to minimize the production cost, Decathlon never finds any spokesperson to publicize for it. It relies on is the person to person, low price, comprehensive and qualified products, as well as the satisfying service. Secondly, the reason why Decathlon establishes so many independent brands is that the sub-branch can decrease the difficulty of management. Since like this, every brand has its own team who is responsible for the design, marketing, communication, as well as the sales, and it is able to organize the sub-brand according to the special sport characteristics. The organizational levels are from zone to district to city and to store. Every season, DMI, headquarter of the marketing department would design instructions about the layout of the products, so stores just follow the instructions to display their products, which is standardization and easy to management. Talking about the future, besides focus on the mass market and constantly insist the low-price and high-quality' brands image, the store manager also talked about the brands expanding. It would be realized by increasing the number of stores and increasing the number of the sub-brands. In this way, high market coverage can improve a high reorganization, and abundant sub-brands are able to increase the accessibility

for a large target groups. All those forces is regarded to contribute to the expanding of the brands.

4.2.2 Design and Produce

The design of products is one of the key steps in the industrial chain, since the design is the beginning of products and everything following depends on it. In the interview, the store manager also is the main interviewee. Since the design is not the most important part in this study relatively, so one question about the design was asked: 1.Introduce some information about the design and the products of Decathlon.

According to the answer of the store manager, Decathlon has four inside laboratories, where the focus is on how to satisfy user's needs by proposing smart innovations. In 2014, Decathlon had more than 40 patents, and many of them got innovation awards in international competitions. In addition to the laboratories, every brand in Decathlon has its design basecamp. In order to collect more professional information from the users, those basecamps are close to the original place of the sport. Take the Nabaji as the example, Nabaji is the swimming brand of Decathlon, which is located in the Lyon, France. Lyon is a seaside city, where the majority people participate in various water sports, so the design basecamp is able to get information and test the function of the products more easily.

As for the produces management, as mentioned in brands part, Decathlon has more than 20 brands, so it also has a comprehensive and complicated product line. In order to manage every brand more professional and easier, every brand has a headquarter who responsible for every about this brand. However, there still are many classifications in terms of the gender, functions, professional degree and so on in a single department. At Decathlon, they divide the different categories of produces into different families, then subdivide the family into different ranges based on the professional degree of the products. Take the water sports products as an example, there are many sub-sports belong to water sports, like the swimming, diving, surfing, and navigating. So every sub-sport is an independent family, and all products related to this family are displayed together. Further, products

in this family are divided into three ranges. Specific, those products in range 1 is for the beginners, range 2 is more advanced than beginners, and range 3 is for professional athletes. In this way, products are classified into many small sections, making those goods have a clear logic, which is easy for sale assistants to manage the products and convenience for customers to find the goods. Besides, the application of the range is better for store to choose the products level according to their actual needs. Since the space of the store is limited, it is unable to choose all thousands products to display in their store. In this case, the store needs arrange the products system in a commercial and reasonable way. For example, if the location of the store is close to seaside, then the swimming products need to be chosen to range three, and the hiking products maybe only be chosen to range one. Since swimming related sports must the main sports of the customers here, so the demand of this kind product is wide and need to be more professional, while the hiking products are less likely to be needed for the geographical condition.

Overall, innovation was the most mentioned word in this part, the manager referred to this word for 6 times. According to his opinion, the innovation has become increasingly important for company's future development, not only about the innovation in the design process, but also the innovation in product management. Innovation design can create a unique selling point, and innovation in products management can make product process more efficient and commercial.

4.2.3 Logistic

As for the logistics, store manager introduced some information about the logistic system of Decathlon. Decathlon has an international logistic system, and its production centers are based in 23 countries and it has 2650 employees. Decathlon is different from many other multinational retailers, which production part is outsourced to local suppliers. Decathlon has establish its own factories and warehouses, and transport systems. Taking China into consideration, until now, Decathlon has five warehouses in all around China,, each store in China can get the ordered goods from the nearest warehouse within two days. Not having stock in store is the biggest inventory feature of Decathlon. They decide the minimum

stock number of their goods, and if the stock in store is lower than quantity they decided, the warehouse will deliver the goods to the store automatically. Therefore, an advanced logistic is necessary to ensure an adequate supply of the products arriving at store on time, otherwise, out of stock items would bring about a bad sales performance.

From author's daily work experience there, the receipt process in the store is efficient and convenient, since based on previous experience they have summarized a clear plan, it is an application of the lean management, that is, how many people in what time do what things have been fixed. Every day at 8PM, the truck would arrive at the parking on time, and at 7.55PM, two sale assistants wait there with the moving tools, then delivering the stock to storehouse. In storehouse, every brand has a sale assistant to pick up and convey their own goods to their department. The whole receipting process is less than 20 minutes.

4.2.4 Human Resource Management

In this part, main interviewees turn to the operational manager, department managers, and sale assistants. Three questions were asked. 1. Give some information about human resource management, like staff training and promotion system. (For the operational manager). 2. Are you satisfied with your work? Do you think is promising working in Decathlon? 3. What's you most concerned about as a sale assistant?

As the opinions of the department managers and sale assistants, what they are most concerned about is training and the promotion, which were occurred at least six times for everyone. So here the information about the training system of Decathlon is presented. The employee training is one of the most important part of the human resource management, and Decathlon believes employees are the foundation for its further development. Therefore, the company provides over 50 of training courses for their staff members to improve their abilities. Those courses can be mainly divided into three categories: product knowledge training, working skill training, management skill training, and those courses not only training staff on how to be a good sale assistant, but also on how to be a manager, which is

helpful for their further career development. The products knowledge trainings and the working skill training are compulsory basic courses for every Decathlon staff members. Courses are very comprehensive. Specific, products training course include all the information about the goods, like the functions, materials, displaying logic and so on. In working skill courses, courses like how to make the display more commercial, how to service customers, how to get over pressure at work are offered for staffs. Another thing needed to be mentioned is that more than 90% lectures are given by Decathlon staff members. This refers to another training system of Decathlon, it is a certification system, where any staff member can get the opportunity to become a lecturer. If they are outstanding or experienced enough in a certain field then they can pass the certification, and becomes the lecturers of this course. This certification system can consolidate staffs professional knowledge, and also act as a driving force to stimulate staff to improve themselves. Overall, the training system in Decathlon is advanced and efficient, more than 90% of staff members thought they have become more confident and professional through those courses,

Another part about the human resources is related to the promotion system. The position structure at Decathlon's store is: sale assistant, apartment manager, operational manager, store manager, and zone manager. The average age of the staff members at Decathlon China is around 28 years old, it is much younger than many enterprises, even in the retail industry. The main reason is because many of the staffs enter into Decathlon when they have just graduated from the university. Decathlon cultivate them according to their characteristics and the needs of company, in addition, Decathlon allows its employees to make mistakes, and gives their many right to make decisions. Therefore, under such circumstances, employees at Decathlon can grow fast. There is a recruitment principle at Decathlon, that the position higher than department manager they would not recruit from outside of the company. That means nearly all the managers are promoted inside of company. This rule can enhance the cohesion of the management team, since they are familiar about the operation of this company and each other. It also inspire employees significantly, especially sale assistants, since if they work hard they also can reach to a high position.

According to the answers of these interviewees, more than 80% are satisfied about their job. The working environment is the main reason, even though the work is hard, but the atmosphere is relaxing without too much pressure. Store building, team building and many sports activities are offered for staffs to get a deep understanding about each other. Therefore, many staff members think that work in such a sportive and harmonious atmosphere is a satisfied thing. The other reason contributing to the high satisfaction is the advanced training system, and many staffs think their abilities improved through those training courses. When asked about the most concerned thing as a sale assistant, the personal training and the promotion opportunities are the most common answers, which mentioned by three sale assistants of four.

4.3 The Result of Questionnaire

In addition, a questionnaire also was conducted to collect information from customers. Ten questions related to respondents' basic information, opinions about the sporting goods companies and Chinese sporting goods market were asked, and results are present following.

4.3.1 Demographic Findings

The questionnaires were handed out in three sporting stores in Chongqing, China, in 3th March, 2016. The total amount of the respondents was 249. As for the gender, the number of males was 147 occupied 59%; while the number of females was 102 comprised 41% of the total amount. The percentage of the male and female was a very similar.

The second question was about the respondents' age. As illustrated in the Figure 6, the age was divided into 5 groups, 10 years old to 20 years old, 20 years old to 30 years old, 30 years old to 40 years old, 40 years old to 50 years old, and the last group older than 50 years old.

In terms of age, the age from 20 years old to 50 years old was the main purchasing group to buy sporting goods, and share of it reached nearly 80%. People in this age have a high buying power and is more concern about the fitness and health

issues, and also have more time and more energy to participate in sports compared to other age group.

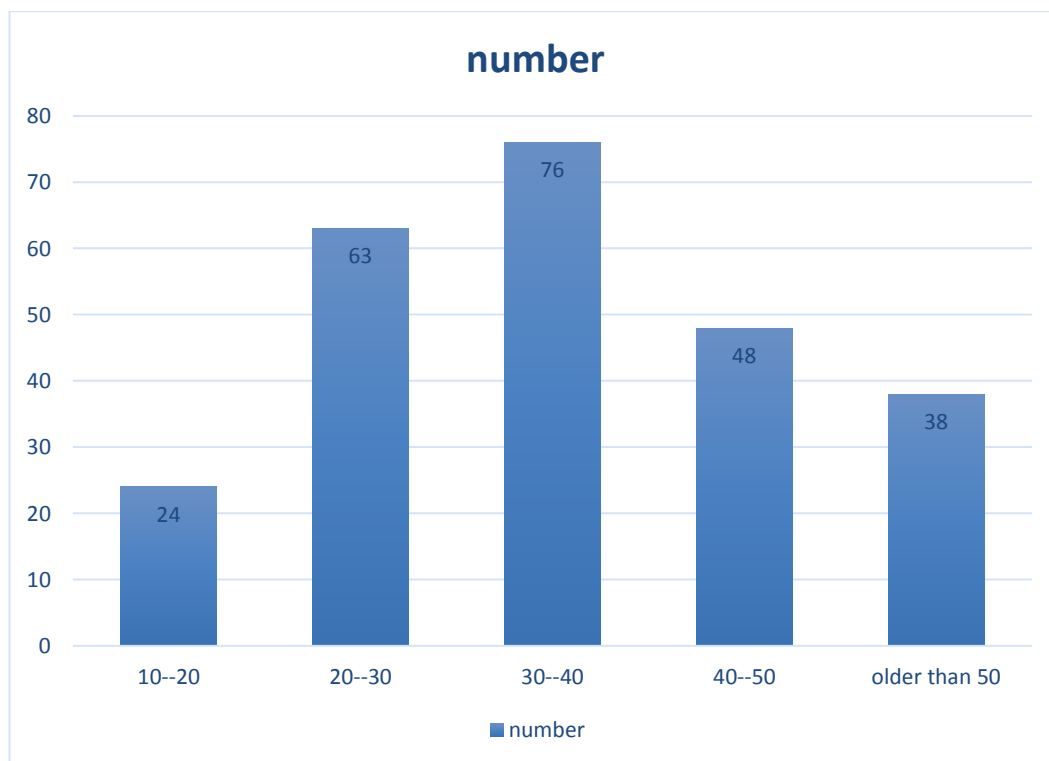


Figure 6. Age distribution of the respondents.

Next question was about frequency of doing exercise a week, which was separated by age, and it is stated in Table 2.

It became evident that those doing exercise once or twice a week comprise the largest share. People who doing exercise every day or hardly do exercise took up a small proportion, and the total percentage less than a quarter. However, among these different age levels, people older than 50 years old doing exercise every day was more than other age group. It showed that people are more care about the health and are more willing to do exercise with age increasing. Overall, the percentage of doing exercise more than once occupied near 90%. In other words, more than 90% people need sporting goods, so great marketing opportunities can be expected in sporting goods market.

Table 2. Frequency of doing exercise in different age groups.

	10-20	20-30	30-40	40-50	Older 50	Total
>6 times	3(11.5%)	9(10%)	9(11%)	5(10%)	5(13%)	31(12%)
3-5 times	7(29%)	15(24%)	20(26%)	16(33%)	12(31%)	70(28%)
1-2 times	12(50%)	30(47%)	34(45%)	24(50%)	20(52%)	120(48%)
None	2(8%)	9(14%)	11(14.4%)	3(6.2%)	2(5%)	27(11%)

The fourth question is which brands do you always buy (or favorite most)? There were 9 sporting goods brands related to foreign brands and domestic brands. In order to compare the results more directly, the data is demonstrated in Figure 7.

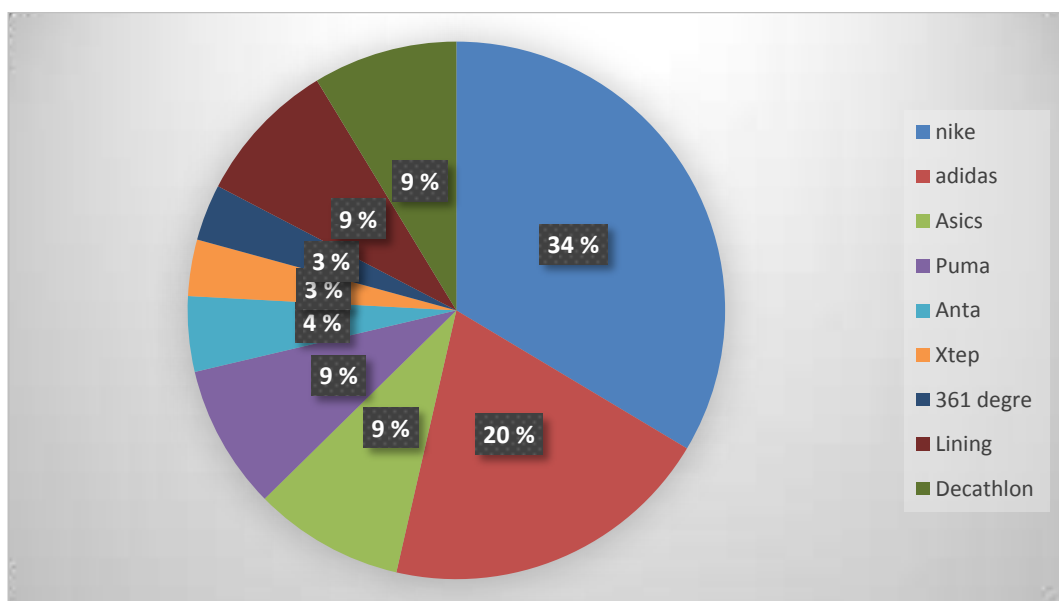
**Figure 7.** Brand choices among the respondents.

Figure 7 shows that Nike and Adidas are the most popular brands among respondents, and it comprised 54% of the total percentage. Other foreign brands like Asics Puma and Decathlon took up 9% relatively, added with Nike and Adidas, the total portion of the foreign brands reached 81%. Chinese local brands only took up 19%.

The fifth question was about the choice distribution when the foreign brands and Chinese domestic brands with the same price level, and in this question, the product is clothing. This was the outcome of the question. If the price was less than 200 yuan, 37% consumers would chose domestic brands, and the percentage of choosing foreign brands was 67%. When the price was between 200 yuan to 300 yuan, 27% customers would choose domestic brands and 73% customers went to foreign brands. The percentage of choosing foreign brands was high to 90%, when the price was around 300 yuan to 500 yuan, only 10% of customers prefer domestic brands. While the price was more than 500 yuan, foreign brands were the only choice for nearly all customers, since only one customer would consider the domestic brands. Figure 8 also shows the comparison of the result.

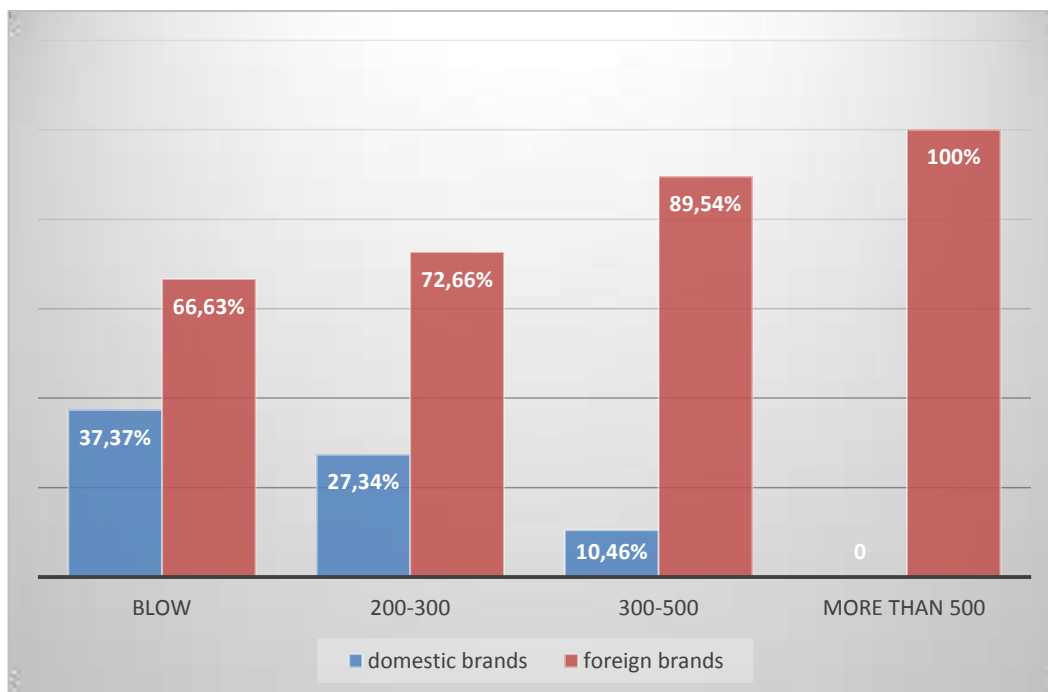


Figure 8. Choice between domestic vs foreign brands in different price categories.

It was clear to see from Figure 8 that the percentage of choosing domestic brands declined dramatically with the increasing of the price when considering to buy a sporting products. In other words, foreign brands still occupy the high-end sporting goods market. There also are high-end sporting goods brands in China's market, why they cannot obtain a high acceptance from local customers?

The sixth question and seventh question are related to same aspect, "what's the main factor you will consider when you buying sporting goods?" and "what's the aspects you think foreign brands is better than the China domestic brands?" As for the result of sixth question, brands, quality, and the price were the main factors customers would think about when buying a sporting goods. In terms of the seventh question, respondents thought the design, brands and the quality were the parts that the foreign brands better than China's. The specific data can be seen from Figure 9.

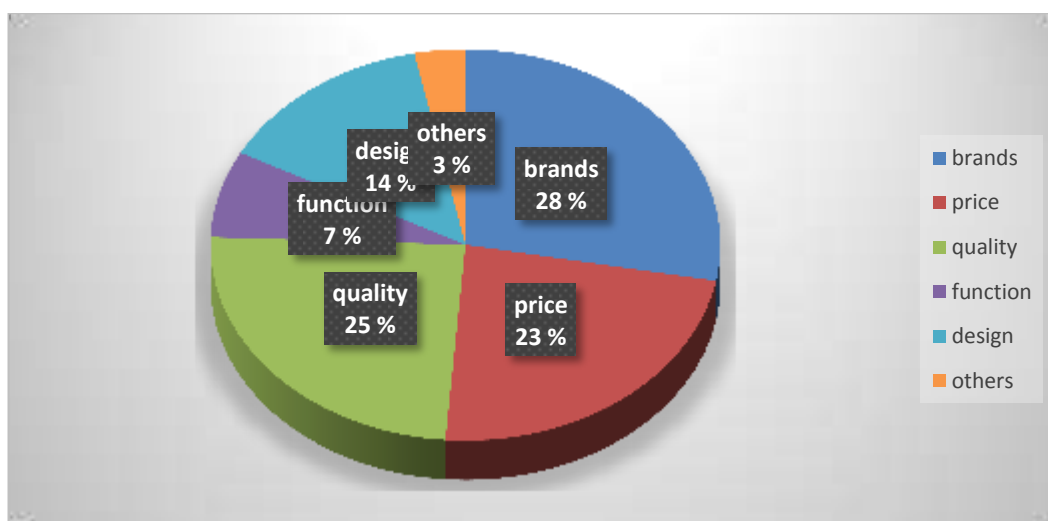


Figure 9. The factors influencing the choice of sporting goods.

From Figure 9 it is clear to see that the brand is the most important factor for customers to choose sporting goods, and it occupied 28%. Besides, the quality and price also are significant factors. Based on the analysis, design is the most significant aspect (almost 30 %) that customer thought Chinese brands should learn from foreign brand (see Figure 10).

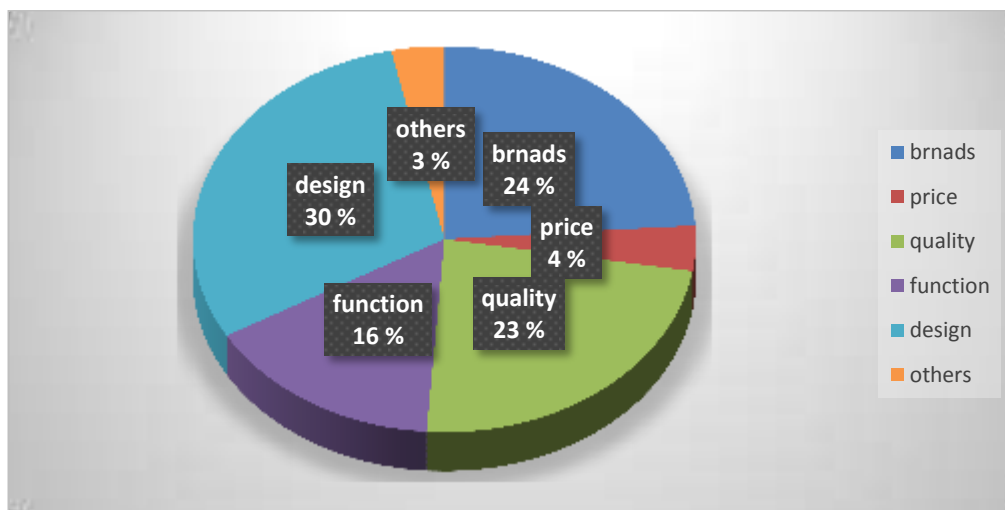


Figure 10. The factors in which foreign brands are better than Chinese brands.

The eighth question was about the marketing tools. The respondents were asked about the promotion or the discount whether would inspire them to buy the sporting products or not. Only 39% of the respondents think promotion or a discount are attractions for them to buy sporting goods. When asking them the reason, most of them think the sporting products are more professional and it difficult to find the alternative products, so they are willing to choose a more suitable a qualified products even though the price is higher.

The ninth question was respondents' attitude about official website of Chinese sporting goods brands. The result was unexpected, since more than 50% of customers were hardly browsing the official website of the local sporting brands. The main reason was that they were not aware that it is an access to the online store for local brand or the uncomfortable shopping experience before.

The last question was about the channel of buying sporting goods and the frequency respondents browse office websites of the local sporting goods brands. From all of them, chain stores occupied 70%, the department stores took up 42.5%, and the internet comprise 48%. So we can notice that the Internet is a popular and significant channel for customers to buy sporting product currently, and it deserves more attention. .

4.4 SWOT Analysis

SWOT analysis is the tool for auditing an organization and its environment. An assessment of strengths and weaknesses occurs as a part of organizational analysis; that is, it is an audit of the company's internal working, which are relatively easier to control than outside factors. Conversely, examining opportunities and threats is a part of environment analysis, as the company must look outside of the organization to determine opportunities and threats, over which has lesser control. (Andrews 1970)

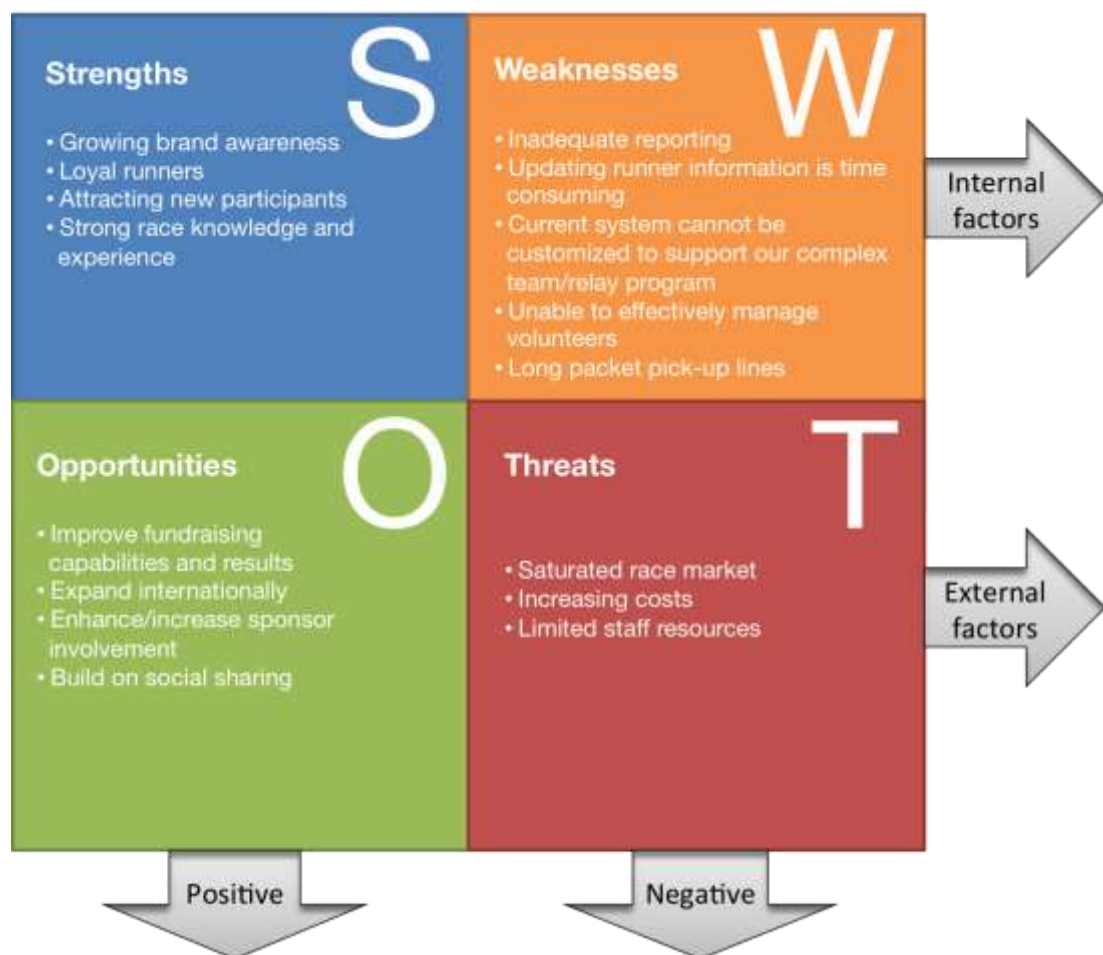


Figure 11. The explanation of SWOT (CS Odessa Corp.2016).

Figure 11 presents a clear content of the SWOT, the S means strength, W means weaknesses, O means opportunities, and T means threats. It is a structured method that evaluates these four elements of a project or business venture

4.4.1 Strength of Chinese Sporting Goods Market

In the SWOT analysis, strengths are a company's resources and abilities which allow it to engage in activities to create economic value and promote development (Morrison, 2014). Compared with multinational sporting goods enterprise, the Chinese local companies have geographical advantages and political supports. For example, Lining has more than 8,156 chain stores around 1,800 cities in China, the high accessibility of the store can improve the market share and sales. Besides, local companies without the worries of the import restrictions and limitations, for instance, the quantity is not affected by a quota if there exists any international trade dispute, and the prices will not be influenced by the importing tax. Especially in recent years, the government of China has encouraged the development of sports activities, so it give many preferential and supportive policies, like tax relieves and competition protections, which give many advantages to the domestic sporting goods industry.

4.4.2 Weaknesses of Chinese Sporting Good Market

In contrast, the weaknesses of the companies are lack of resources or abilities which hinder them create economic value or adding competitive advantages. Compared to foreign enterprises, which have advanced management concepts, global purchasing channels, strong financial strength and a complete supply chain. For China those are the weaknesses it should improve in order to support the development of local sports goods industry.

4.4.3 Opportunities of Chinese Sporting Goods Market

Considering the opportunities, the entering of the foreign companies has intensified the competition of the market, but it also has optimized the overall level of the Chinese sporting goods market. It brings the advanced modern management model to China, but also passes an exercising trend to China, making the sporting goods market more active and potential. Another opportunity, like what has been mentioned, the government of China is encouraging the development of sports activities, encouraging more people to enroll in various sports.

4.4.4 Threats of Chinese Sporting Goods Market

With the growing competition, Chinese tradition operational structure is outdated. A large number of small sporting operators are facing challenges, since they cannot compete with those large enterprise no matter in terms of price or quality. In addition, the large expansion of the foreign companies has taken away marketing share, which threaten the survival of local brands.

5 PROBLEMS AND SUGGESTIONS FOR THE CHINESE SPORTING GOODS MARKET

5.1 Challenges and Existing Problems in the Chinese Sporting Goods Market

Based on the theoretical part as well as the research results of the interviews and questionnaire, these problems exists in Chinese sporting good market are worth to be noticed, and it is important to find these problems and solve them. Therefore, problems existing in Chinese sporting good market are presented in following part.

5.1.1 Poor Brands Promotion and Design

According to the survey, brand and image were the vital factors for customers when choosing sporting goods and they also thought brand culture and design were the aspects that the Chinese brands should learn from foreign brands. So it evident that brand promotion is a deficiency for the Chinese sporting brands. Besides, based on the result of interviews, Decathlon invests much capital on brand promotion and innovation design, and has established a brands image of low price and professional in customers' view. By contract, many Chinese sporting goods brands has relied on imitation and counterfeit international brands' classic styles to enter the market. They do not emphasize the importance of brands. Figure 12 shows the brand value of Nike and its competitors, and until 12,016, the market-ing value of Nike brand was worth 105 billion, while Anta, the biggest sporting brands in China was only worth 5.7 billion. Nike is 20 times more valuable than Anta, which is a big difference. Without the support of the brand culture and characteristics, it is hard to root on the market, develop the brand loyalty and get reor- ganization from customers.

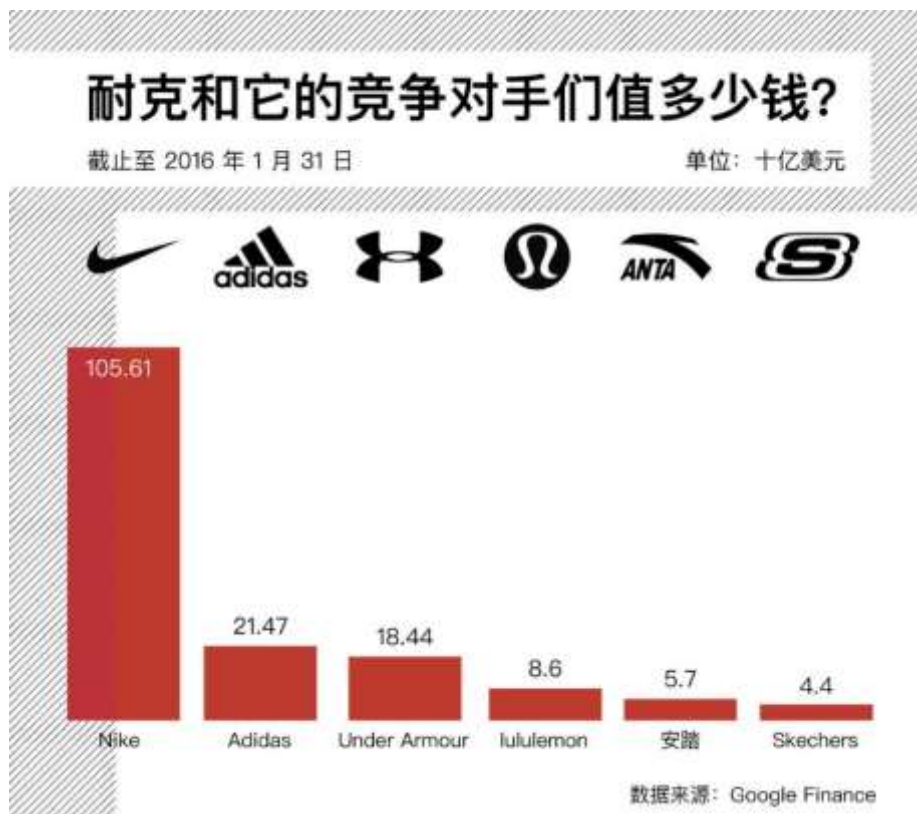


Figure 12. The value of Nike and its competitors (Ding 2016).

5.1.2 Unclear Brand Positioning

Considering the success factors of Decathlon, a clear position is one of the most significant reason. Decathlon is positioning on the mass market, so it decides its business strategies on the basis of the positioning. So far Decathlon has near occupied 50% market share on mass market. So a clear positioning is very important for companies to launch their business strategies and to highlight their brands image. Referring to the questionnaire, when customers were asked about buying the high-end sporting goods, nearly 100% of the respondents would choose foreign brands. Why this happening: China also has high-end sporting goods brands, but they cannot get market recognition from customers. That is because the Chinese sporting brands are concerned too much with the sales and store expansion but ignore the market positioning. They increase the market share by involving a large range of products, from low price to high-end. However, with an unclear market-positioning it is difficult to form a professional image and to develop loyal customer groups for their brands.

5.1.3 The Single Marketing Tool

Based on the results of questionnaire, 69% of the respondents thought discount and promotion was not attractive for them buying sporting products. Basically, sporting goods are not the impulse spending goods. It is unlike the fast fashion clothing, which are easy purchase by impulse. Sporting goods are more like a planning spending goods. (Feng 2016) So, when choosing sporting goods, customers are more willing to pay more to choose the fashionable and high-qualified one for its long using-life time. While in China, discount is the main marketing tool for sporting brands to increase sales and decrease the inventory. However, relying on this single way is inefficient and useless for business to grow. Besides, the extensive use of discount declines the profit of the company, and just like a snowball would affect many other aspects: low profit results in low net income, and without enough capital, the company experiences difficulties in expanding and improving. Another perspective of the marketing tool is about the channel. The questionnaire showed that the internet is one of the critical channels for customers buying sporting goods, which taken up 43%. (Figure 13)

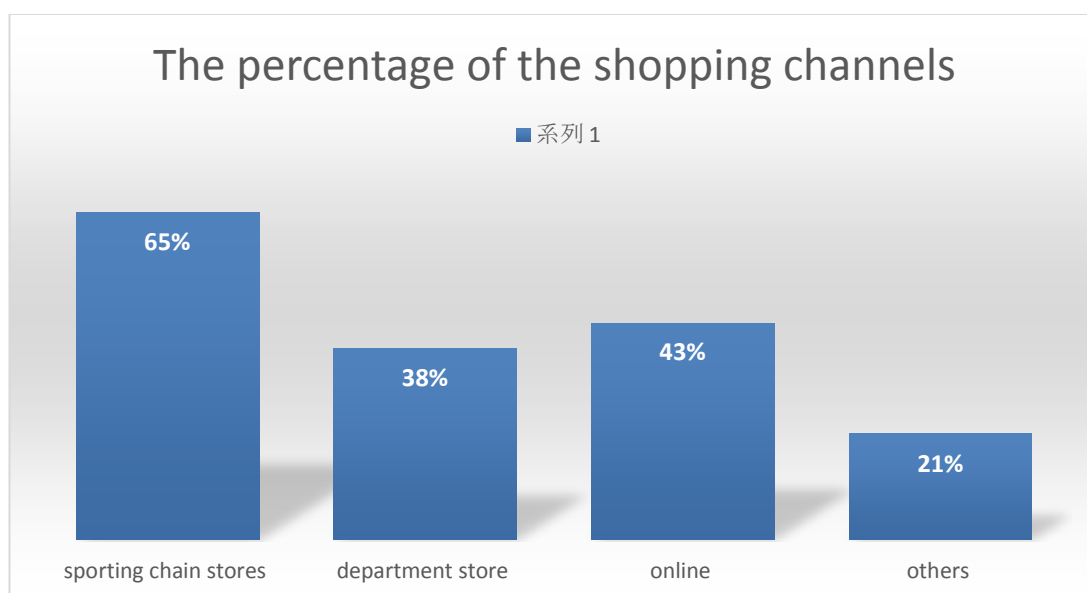


Figure 13. The channels of buying sporting goods.

From the interview, the store manager said that internet shopping has become one of the most important aspect for Decathlon to develop in the coming years, and the online sale has taken up nearly 10% proportion of its total sales. When it comes to the Chinese sporting companies, the development of the online stores is much behind its actual needs. Based on the results, more than 60% of the respondents hardly browse the office websites of the Chinese sporting brands, since they do not realize that the internet shop also is an access to those brands. The reason contributes to this pheromone is the bad popularizing and the inconvenient shopping experience. So this is a significant part that the Chinese sporting goods companies need to put more attention to make an improvement.

5.1.4 Backward Logistics System

As stated in one of the interviews, Decathlon has an advanced logistic system, based on the establishment of the warehouse in every district in China added with its coherent road transport, making the goods from warehouse to every store in China within two days. The efficient logistics provide adequate supply and it is key to the normal operation of stores and ensure a better business performance. However, the situation of logistics in the Chinese companies is lagging behind, the average cost and time spent on logistics is double than international standard, which is increasing the cost and reducing the efficiency. Especially in some removed places, once the goods sold out, the poor logistic system cannot ensure the supply, it influences the sales directly and also decrease customers' satisfaction about the shopping experiences.

5.1.5 Imperfect Management Models

Based on the interviews, it was obvious that the Decathlon has advanced management models. For example, the shelf management, receipt process, and human resource management. Even though some of those programs are small and easy to be completed, but Decathlon makes them standardized, which could increasing efficiency dramatically. For example, just like has been mentioned above, Decathlon has a complete training system and a promotion system, which provides an access for staff to improve both in abilities and position, which can inspire and

remain staff members. However, for Chinese companies, the imperfect management model creates many unnecessary wastage and ineffective. In many Chinese sporting goods store, sale assistants are hardly getting professional trainings about the products and working skills, it seems they do not have an obvious difference from the sale assistant in supermarkets. So this affects the professional image of the sporting goods stores. For the Chinese sporting goods enterprises, it is necessary to restructure the management system.

5.2 Suggestions for Solving the Problems in China's Sporting Goods Industry

Since there existing many problems in the Chinese sporting goods market, it is urgent and important to finds ways to solve them. In this part, many suggestions will be stated for solving problems in Chinese sporting goods industry.

5.2.1 Improve the Brand Value

Brand loyalty, brand awareness, quality identified, and brand association are included in brand asset. The brand is an important part of financial price (Zhao 2011, 89). Brand value is reflected in differentiation, which is decided by performance, duration, reliability and other differences embodied in quality, package, design, and so on (Mazzoleni 2014). The quality difference is the core of the brand difference, so the quality and technology are the ultimate deciding factors of brands value. Like Figure 14 shows, the product and the service decide the brand experience, and the brand experience influences brand evaluation and perception.

For the Chinese sporting goods retailers, improving the quality is the foundation, because on the basis of high quality to find its characteristics to distinguish themselves from other bands. Under such a competitive international market, innovation is particularly important for the sporting goods business. Sporting goods companies in China should learn from foreign companies, like the Asics, who was relied on the innovation products and the professional technology on running, becoming one of the biggest brands in running. Therefore, many marketing research should be conducted in large scale to get the feedback from customers about their

needs and shopping behaviors. Then companies should apply the innovation concepts into the products on the basis of the marketing research.

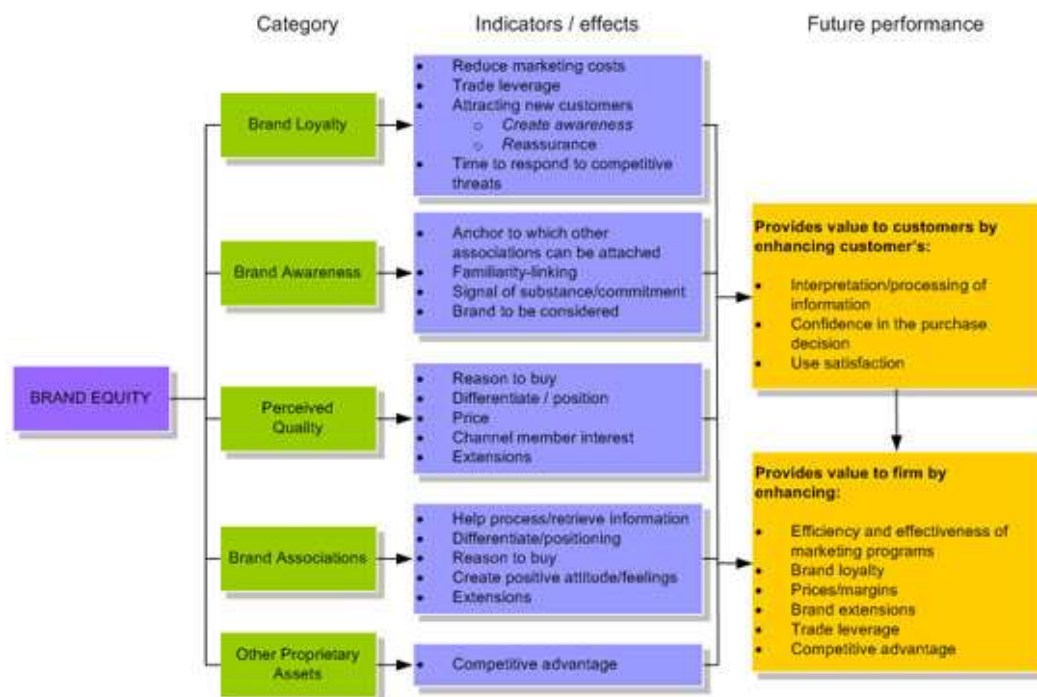


Figure 14. The enhancement process of the brands (Haaften 2016).

In addition, China's domestic companies also can take full use of the local strengths. For example, as the local companies, those brands could assimilate into the brand culture with Chinese history and the culture to find the sympathetic response from customers, and also could establish a unique brand culture for company.

5.2.2 Clear Market Positioning

Unclear market positioning is one of the biggest problem for the majority of Chinese businesses, sporting goods industry is not an exception. If you try to be everything, you may not appeal to any group. When the products have a clear positioning, it is easy to make the entire organization market-oriented; quick to deal with market changes; easy to meet expectation of the customers.

Basically, the positioning strategy can be expressed like in Figure 15.

Developing a Market Positioning Strategy

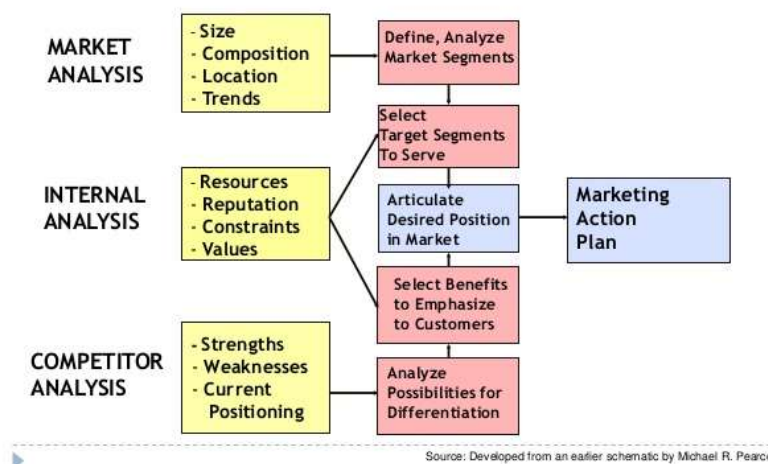


Figure 15. The process of making marketing action plan (Ghag 2013).

The first step is doing the analysis, including the market analysis, internal analysis, as well as competitor analysis. These analyses can estimate the size, location, values, and many other factors to find a clear positioning for the business to develop. In terms of the Chinese sporting goods retailers, doing a comprehensive estimate about the internal environment and external environment is the urgent thing. Based on the outcome of the research, it is relevant to choose a specific field to develop, instead of referring to every range. For example, if it is unable to compete with those foreign companies, some of Chinese sporting companies can choose mass market, or only focus on a single field, like swimming, hiking, or only focus on single a customer group, like only the female or male.

5.2.3 Focus on Personnel Training

Staff training is particular important in the retail industry, since 60% of retail employees must deal with customers directly, as they are responsible for answering their questions and meeting their needs. (Min 2011). In other words, the quality of the staff in the store decides the image of the company in the customer eyes. Be-

sides, training develops employees towards long-term career goals, which can also promote greater job satisfaction. More satisfied employees are more likely to stay longer in one company and become more professional in this field, which means high productivity for this position. Especially in the sporting goods retail market, the products involve many types of professional knowledge which only can be understood through specialized training. Considering the situation in China, many sales assistants in store hardly get professional training on the products and the service skills. So those brands are hard to give a professional impression to customers for unprofessional sale assistants. Therefore, for China's sporting goods companies, it is urgent to establish a staff training system, Figure 16 illustrates the steps of staff training, which is a continuous and life-time process.



Figure 16. Steps of staff development program (Healthcare 2016).

Following this process, the desired objective about the employees can be decided, so companies can according to their need and the characteristics of the staff members design the training and ensure the staff keep improving. In this way, the cir-

cle of the training can be formed, which can also can save the talent for future development. On the other hand, the training system also can be regarded as an assessment mechanism, within the training it is possible to assess the abilities of the staff members and decide to promote or to eliminate.

5.2.4 Constructing Advanced Information Technology System

Internet shopping has become a trendy shopping style, based on the statistics and the survey. Internet has comprised 30% of the total sales in the sporting market, 45% of residents in China from 16 years old to 60 years old have used internet last year, and 60% of them have been shopping through internet(Chinese data, 2105). So developing the internet channel is a key factor to gain a share of sporting goods market.

Therefore, constructing an advanced information technology system for the Chinese sporting goods brands is significant, since the investment on expanding stores is too high, and the internet platform can overcome the geographic limitations to improve market accessibility. For example, companies can implement program like “click and pick”. Specifically, customers can browse the online shop to choose the products, and then can choose mail the package to home directly or to the nearest store. The store nearest takes the charge of the service, if there are any technical or quality problems the customers can contact with the store. In this way, the worries about the service and quality of the online shopping are eliminated.

5.2.5 Focus On the New Sports Field

There are some new sports developing very fast in market. The one first advances into the new field can hold an advantage. So it is important to pay attention on the market research to notice those rising sports.

Outdoor sports are developing rapidly. Recently, people participate in outside exercise is growing. Especially hiking and climbing, some modern outdoor sports like skiing and rock climbing also are loved by Chinese, especially young people. Among them, it is worth noticing that women have become the continuous driving

force for outdoor sporting goods market. Statistic shows that in the hiking clubs, the number of the female member has increased more than 20% in recent years, while the increasing percentage of male members only reach 12%. (Daily Life & Sports 2015) Innovation brings growth in outdoor clothing, shoes and equipment would continue to grow. High-tech materials and improvement of technology would further enhance the function abilities of the outdoor equipment. However, like that, function abilities are not the only standard for outdoor sporting goods anymore, the fashion also is a considerable factor when choosing them. Thus, combining the function ability and fashion of the outdoor sporting goods is the new trend. Overall, it is important for companies to pay attention on those new sports fields to find business opportunities to develop.

6 CONCLUSION

This purpose of this thesis was to analyze the case company Decathlon to find out the competitive advantages of foreign sporting goods companies and learn from it for a future development in the Chinese sporting goods market. Besides, a survey also was conducted among Chinese customers to understand their opinions about the Chinese sporting goods market.

The research objectives had three points as presented in introduction. The first objective was to describe the current situation of the Chinese sporting goods market. Through the analysis, it can claim that China is a potential market in sporting goods field, as there is a large-scale demand and it is a promising market. However, many challenges and problems still exist in this market: the market share of local brands is too low, especially the high-end market, which is dominated by foreign brands. Besides, the management concepts of Chinese brands present a relative disadvantage when compared with foreign brands.

The second objective was to find out existing problems in Chinese market. Based on the empirical results, five main problems were discovered in Chinese market. The first problem is poor brand promotion and design. Chinese brands do not have a distinguishing characteristic and a high brand value when compared with foreign brands. The second problem is unclear brand positioning. Chinese brands lack the control power of the domestic market, partially due to the poor market positioning. The lack of a clear positioning leads an unclear targeting and a wrong business strategies, so it become hard to improve the market share. The third problem is using single marketing tool, the majority of the Chinese sporting brands have selected simple marketing tool. Based on the research we can figure out that discount as a marketing tool, which is the most common way used by China's brands, is not regarded as an efficient method to promotion. Moreover, the online shopping is believed to have become a main channel for the purchasing of sporting goods, but the development of Chinese online shopping is obvious behind the actual need of the market. The fourth problem is the backward logistic system. The dis-advanced logistic system results in an insufficient demand which

influences the business performance and customer's enthusiast. The fifth problem is imperfect management models. A reasonable and efficient management model can improve the productivity and efficiency, further more reducing the costs and increasing the profit. In China the used management models are outdated, especially the human resource management and operational management.

The third objective was about suggestions to give Chinese sporting goods market. According to existing problems in China's market, the following suggestions were put forward. First suggestion is to improve the brands value by adding local brands' characteristics, like emerging the traditional culture into design, do marketing research to understand customer need, and combining the actual situation of company to improve the coincidence degree with the marketing need. Second suggestion for China's sporting goods retailers is to define the positioning, which is one of the most urgent things. Companies would focus on the mass market or target a specific segment, like the women market and children market. The third suggestion is to focus on personnel training. Some measures, like improve training system and restructure a fair promotion system, should be implemented to cultivate professional staffs and increase staffs' satisfaction. Fourth suggestion is to construct advanced information technology. This suggestion is to improve the accessibility of the internet platform and enhance the shopping experience of online shopping. In addition, information collection system also should be perfected. For the Chinese retailers, understanding the marketing demand is a key point to develop in the future. Fifth suggestion is to focus on the new sporting field. Some new trend, for example women and children, have become the main consuming power in sporting good market and the outdoor sports are believed to become one of the most popular and increasing fields in near future.

Overall, the future of the Chinese sporting good market is promising and potential, and the local businesses should improve themselves constantly to catch the opportunities.

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APPENDIX 1: OPEN-ENDED INTERVIEW QUESTION:

1. How dose Decathlon improve its popularity and reputation?
2. How dose Decathlon manage so many independent brands organizationally?
3. How do those brands highlight themselves in such a fierce competition?
4. Give an introduction about the design and the products of Decathlon
5. Give an introduction about the logistic of Decathlon.
6. Give some information about human resource management.
7. Do you satisfied about you work? Do you think it is promising?
8. What's your most concerned as a sale assistant?

APPENDIX 2: ONLINE QUESTIONNAIRE IN ENGLISH

Online questionnaire in English

Consumer's opinion research in the sporting goods market

Dear respondents

I am doing my bachelor thesis about the sporting goods market in China. This question is designed to collect the information about customers' opinion towards China's sporting goods market, in order to give advice for its future development, and provide a better sporting goods shopping environment to customers. Personal information will be kept confidential.

Basic information

1. What's your gender?
 - a. Male
 - b. Female
2. How old are you?
 - a. 10-20.
 - b. 20-30.
 - c. 30-40.
 - d. 40-50.
 - e. older than 50
3. What's your frequency to do exercise per week?
 - a. >6 times
 - b. 3-5 times
 - c. 1-2 times
 - d. none

Detail information.

4. Which brands' products are you always buy (or favorite most)? (Multiple choice)
 - a. Nike
 - b. Adidas
 - c. Asics
 - d. Puma
 - e. Anta
 - f. Xtep
 - g. 361 degree
 - h. Lining

i. Decathlon

j. Others

5. Under the same price, you will choose domestic brands or foreign brands

Under 200 domestic brands foreign brands

200-300 domestic brands foreign brands

300-500 domestic brands foreign brands

More than 500 domestic brands foreign brands

6. What's the main factors you will consider when buying sporting goods? (three choices maximum)

a. Brand.

b. Price

c. Quality

d. Function

e. Design

f. Others(please list)

7. What's the aspect you think foreign brands is better than China's domestic brands?

a. Brand.

b. Price

c. Quality

d. Function

e. Design

f. Others(please list)

8. Do the seasonal promotions or the discount is an attractive for you when you choose the sporting goods?

Yes

No

9. Do you always browse the official website of China's sporting goods brands?
How do you think about it?

Yes

No

10. Through which channel you buy sporting goods?

a. Brand's chain tore

b. department store

c. internet